



STRATA

SKIN SCIENCES

Driving Value to Dermatology Partners

Matching Patients with Clinics

Investor Presentation

April 2021

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A Win-Win-Win Company

- For patients: safest, most effective treatment, no side effects
- For clinics: stable increased revenue base
- For payers: the least expensive treatment available

Large Market Opportunity

- 31 Million lives in the U.S.: \$6 Billion annual revenue¹
- Excimer Treatment modality use growing > 25% per year²
- Reimbursement: 3 unique CPT codes

Unique and Proven Business Model

- Providing “business in a box” for dermatology practices
- Growing Install base: low hanging fruit
- Driving domestic + OUS recurring revenue model

Large Unmet Need in Common and Chronic Dermatologic Conditions



PSORIASIS



VITILIGO



ATOPIC DERMATITIS

PSORIASIS: Autoimmune disease that causes the skin to regenerate faster than normal and characterized by red, itchy scaly patches (65% Mild; 25% Moderate; 10% Severe)

~8 Million patients in the U.S.³


VITILIGO: Autoimmune condition due to a loss of melanocytes, characterized by patches of skin losing its pigment

~5 Million patients in the U.S.⁴

ATOPIC DERMATITIS: Inflammatory condition characterized by red and itchy skin that flares-up periodically

~18 Million patients in the U.S.⁵

Treatment Options Addressing Chronic Dermatologic Conditions⁶

			NB-UVB*	Topical Steroids	Non-biologic Systemics	Biologics
Approximate Costs (\$)	Cost competitive	1K-3K	3K-9K	1K -7K	1K	32K-68K
Clinical Impact	Better clinical outcomes (PASI%75)	92%	71%	75%	48%	50-70%
Speed of Onset (in weeks)	Very fast rate of response	5	10	3	14	12
Days of Actual Care	Least days of actual care	18	80	294	52	12-65
Remission	Remission without maintenance	2.5 months	Continued with maintenance	Continued with maintenance	Continued with maintenance	Continued with maintenance
Adverse Events	Least significant side effects	Mild Temp	Mild Temp	Mild-Mod Temp-Lasting	Mild-Severe Temp-Lasting	Mild-Severe Temp-Lasting

*Narrow band UVB Light Therapy

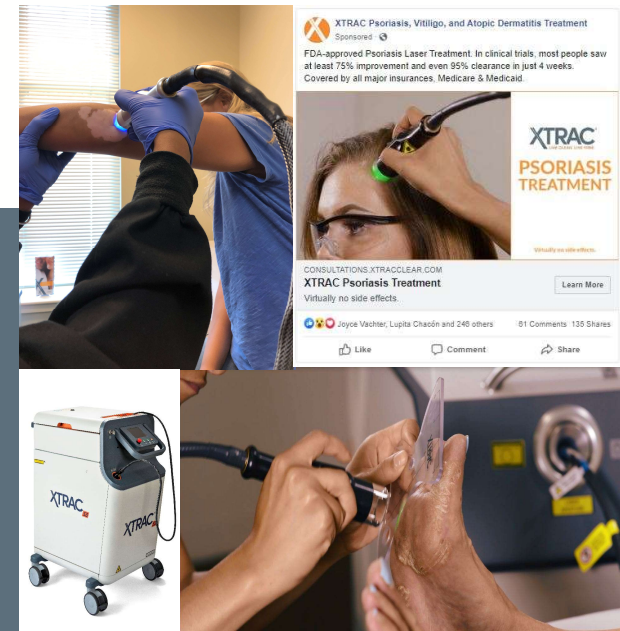
XTRAC: A True Partnership – A Complete Business Solution



#1 Targeted Laser Therapy Prescribed by Dermatologists

BEST-IN-CLASS EXCIMER TREATMENT

- ✓ FDA approved + established CPT codes
- ✓ **150+** Peer-reviewed clinical studies
- ✓ **2000+** device installed based, WW
- ✓ **20+** million treatments performed WW





Re-established unique and proven strategic model to expand + drive sustainable growth

Leveraging a strong foundation to support fundamental growth initiatives

Expanding installed base with comebacks and new PE-backed derm clinic groups

Executing on direct-to-consumer strategy + recurring revenue model to drive growth

Targeting accretive acquisitions to grow platform portfolio

XTRAC: Psoriasis

XTRAC: The treatment for Psoriasis



Clinical Protocol – 6.2 treatments to PASI 75

PASI - A 75% reduction in the Psoriasis Area and Severity Index (PASI) score (PASI 75) is the current benchmark of primary endpoints for most clinical trials of psoriasis

Beam of UVB light applied to the affected area

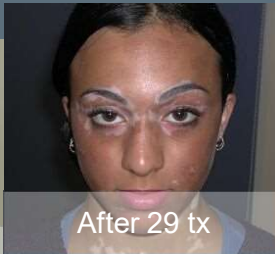
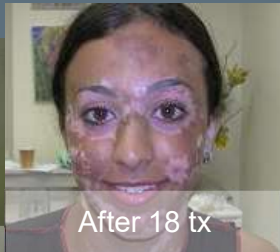
UVB light induces apoptosis of the keratinocytes and T cells in the dermis

Promotes immunosuppression

Induces alterations in cytokine profile

XTRAC: Vitiligo

XTRAC: The solution for Vitiligo



Treatment of Vitiligo using
Excimer laser

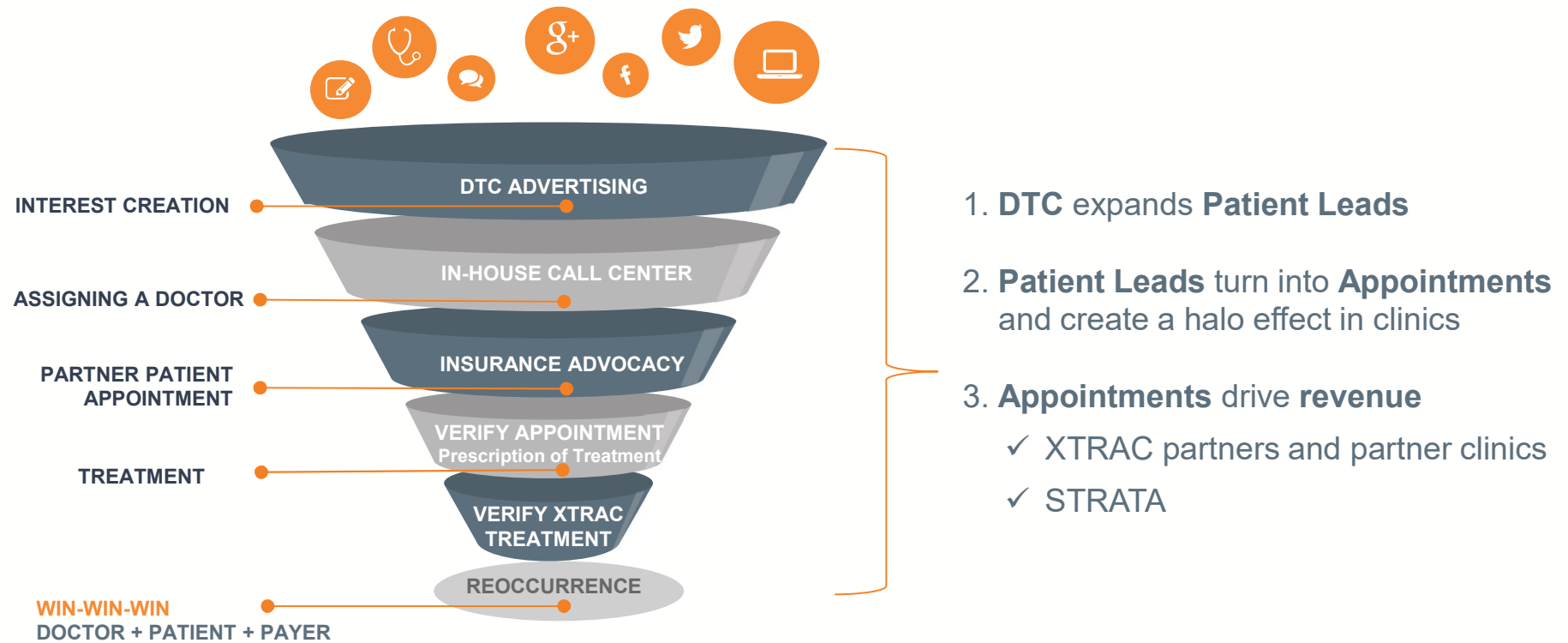
Beam of UVB light
applied to the
affected area

UVB light reduces the
immune system's
attack on the
melanocytes

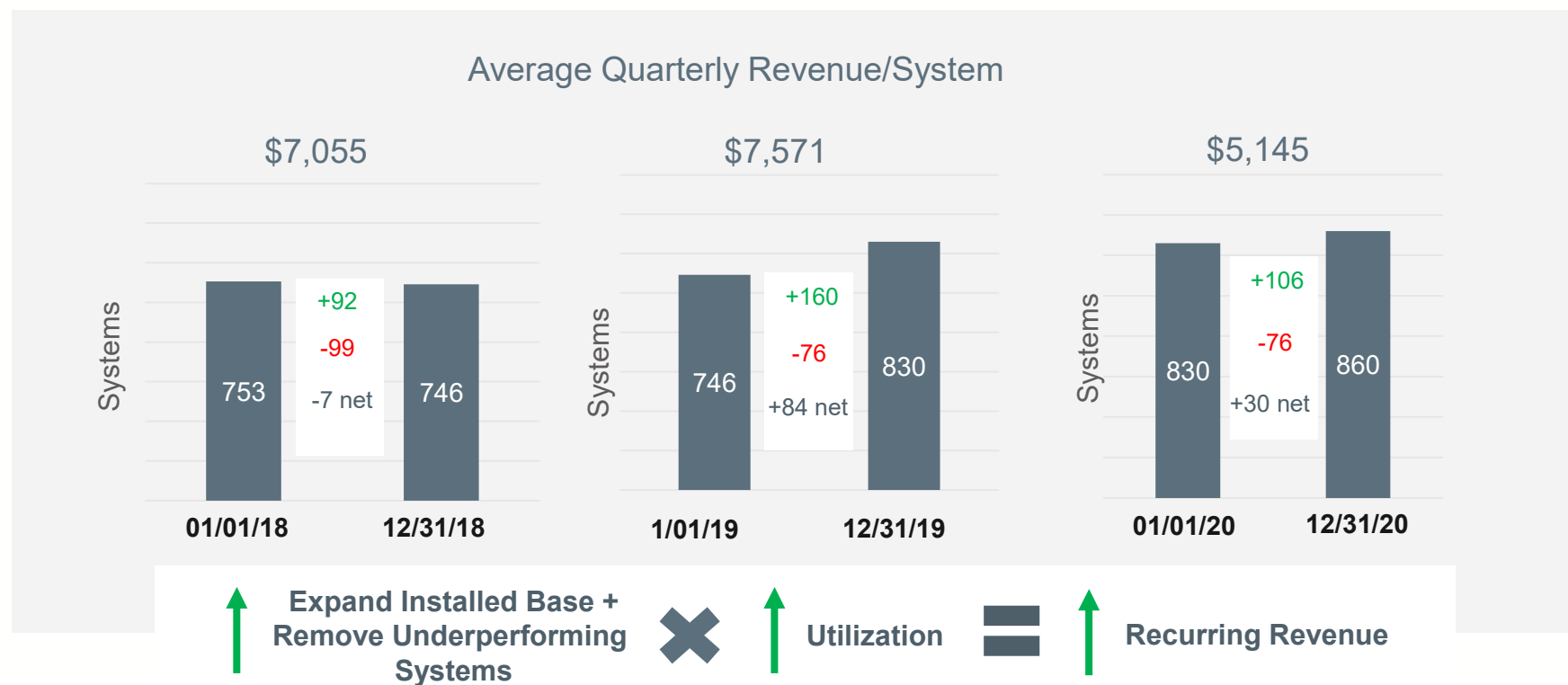
Results in
re-pigmentation

Simple, safe, effective
+ long-lasting

Domestic XTRAC Revenue Funnel

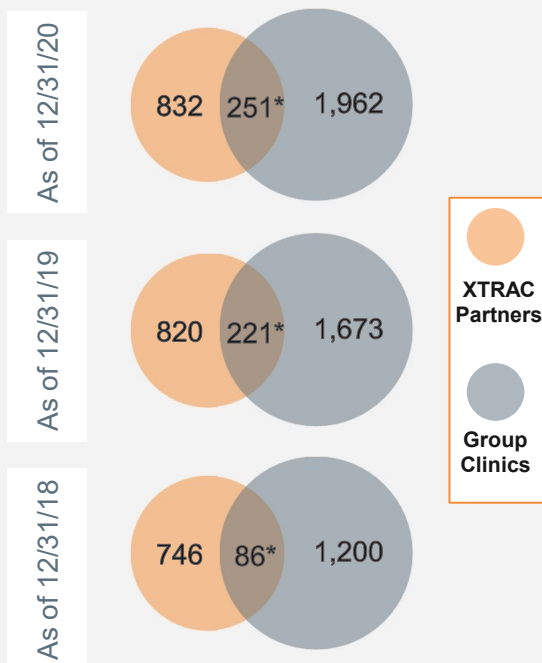


Growing Installed Base Leading to Recurring Revenue Model



Domestic Install Base Growth Drivers

XTRAC Growth in Groups



* Combination of new XTRAC placements and Clinic acquisitions

Expansion into group clinic roll ups

- 1,962 clinics owned by 49 roll-up groups
- 251 (13%) of which are XTRAC partners
- Signed strategic expansion agreements with major groups

Comebacks

- 300-400 clinics own Excimer lasers
- Conversion to XTRAC partnership leads to immediate revenue
- 15 Comebacks in 2018 (4 in 2017)
- 19 Comebacks in 2019
- 23 Comebacks in 2020

Domestic Market: Installed Base – Sales and Service Engine

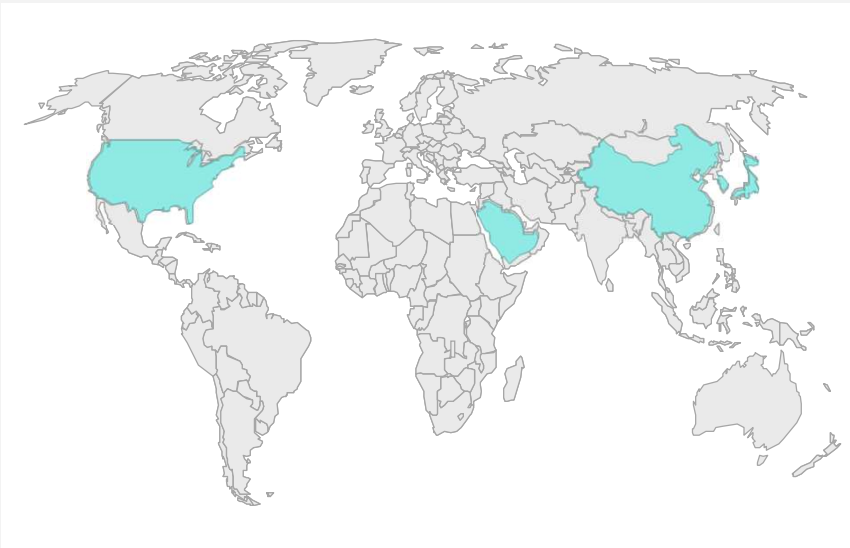


Territories color coded

Overview

- 832 Partner XTRAC Clinics
- 160+ Sold XTRAC
- 4 Regions
- 26 Sales Territories
- 3 National Account Managers
- 15 Field Service Techs
- In-House Call Center to Qualify Leads
- Only One Competitor in U.S.

International Market: Installed Base



Strategic Growth Targets

- Major Markets: China, Japan, Saudi Arabia, S. Korea
- Insurance covered in most markets
- Usage/device higher than domestic market
- 1,300 OUS devices sold and in service
- Placement recurring revenue model agreements:
 - Executed for South Korea (July 2019)
 - Executed for Japan (October 2020)
 - Executed for China (January 2021)
- 28 International partner XTRAC clinics (up from 10 in 2019)

Partner Academic Institutions



Sample Studies from 150+ Clinical Studies

Multicenter Psoriasis Study⁷

124 patients were enrolled and 80 completed the protocol. 72% achieved at least **75% clearing in an average of 6.2 treatments**. 84% of patients reached improvement of 75% or better after 10 or fewer treatments. 50% of patients reached improvement of 90% or better after 10 or fewer treatments. Common side effects included erythema, blisters, hyperpigmentation, and erosions, but were well tolerated.

Vitiligo Study⁸

Out of 221 vitiligo patches treated, 50.6% showed 75% pigmentation or more, 25.5% achieved 100% pigmentation of their patches, and 64.3% showed 50% pigmentation or more. Lesions on the face responded better than lesions elsewhere. **Conclusion:** The 308-nm xenon chloride excimer laser is an effective and safe modality for the treatment of vitiligo, with good results achieved in a relatively short duration of time.

Scalp Study⁹

All patients improved. 17/35 (49%) of **patients cleared >95%** (mean: 21 treatments; range: 6-52) and 16/35 (45%) cleared 50-95%. **Conclusion** - The excimer laser is a successful approach to treatment of psoriasis of the scalp, being a simple treatment that can be performed in a short period of time and which has a high rate of effectiveness.

Pediatric Study¹⁰

4 children with a mean age of 11.0 years and 12 adults with a mean age of 48.8 years completed the protocol. Both the children and the adult groups yielded a significant decrease in psoriatic severity scores of their respective target lesions. The **children's group had a greater reduction (91.3% reduction)** as compared to the adult treatment group (61.6% reduction).

Home by XTRAC Solution: At-home Treatment Option for Patients



At-home, insurance-reimbursed treatment option for patients with Vitiligo, Psoriasis + Atopic Dermatitis who do not qualify for in-office treatments

- Leverage existing DTC advertising
- Expand with existing leads
- Minimal cost to launch
- In early innings of pilot evaluating the potential

Financial Metrics

	2018	Q1 '19	Q2 '19	Q3 '19	Q4 '19	2019	Q1 '20	Q2 '20	Q3 '20	Q4 '20	2020
Dermatology recurring revenue	\$21,053	\$5,312	\$5,839	\$5,991	\$6,571	\$23,713	\$5,701	\$2,796	\$3,835	\$5,077	\$17,409
Dermatology equipment revenue	\$8,802	\$2,171	\$1,886	\$1,489	\$2,327	\$7,873	\$1,029	\$1,234	\$1,778	\$1,640	\$5,681
Total revenue	\$29,855	\$7,483	\$7,725	\$7,480	\$8,898	\$31,586	\$6,730	\$4,030	\$5,613	\$6,717	\$23,090
Domestic partner installed base	746	754	764	784	820	820	822	789	813	832	832
International installed base	-	-	-	2	10	12	16	17	24	28	28
Average quarterly recurring revenue/device*	\$7,055	\$7,045	\$7,643	\$7,622	\$7,916	\$7,571	\$6,803	\$3,469	\$4,582	\$5,930	\$5,145
Dermatology recurring revenue margin	65.00%	66.20%	70.30%	67.20%	76.50%	70.30%	68.40%	51.20%	64.30%	74.40%	66.50%
Total Company margin	57.30%	61.60%	63.60%	61.80%	73.80%	64.20%	65.40%	48.70%	57.50%	67.60%	61.20%
(in thousands except for average recurring revenue/device and installed base)											

* Total recurring revenue over total installed base

** Company estimates not provided

Unaudited quarterly results

* See press release dated November 10, 2020 for definitions of non-GAAP measures

How we get back to double-digit revenue growth:

- 2018 to 2019 Double-digit recurring revenue growth
- Renewed focus on initiatives to drive WW recurring revenue
- Migrated international capital equipment customers to recurring model
- Eliminated unprofitable U.S. capital equipment revenue
- Growing margins and generating cash flow from operations

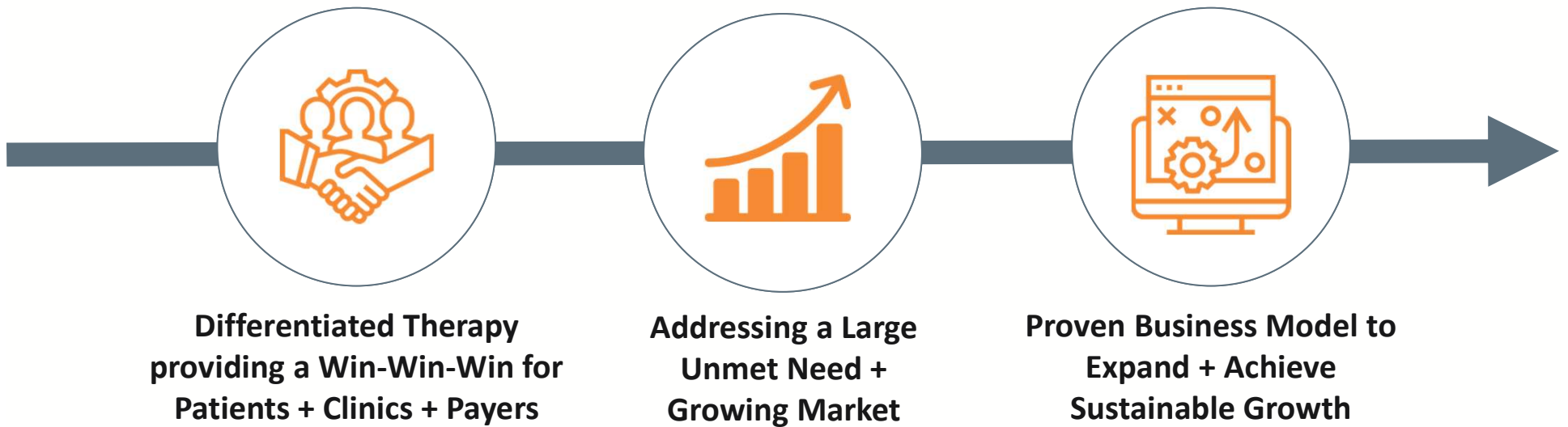
Recent Highlights

Q4 2020

- **Preliminary, total revenue \$6.7M, compared to \$5.6M in third quarter 2020**
- **Gross domestic recurring billings***
 - Q2 2020: 30% Q/Q
 - Q3 2020: 70% Q/Q
 - Q4 2020: 78% Q/Q
- **Global recurring installed base 860 XTRAC devices**
 - Domestic recurring installed base: 832 (up 19 from Q3 2020)
 - International recurring installed base: 28 (up 4 from Q3 2020)
- **Cash management – lower cost structure**
 - Managing costs, inventory and vendors
 - Cash balance \$18.1 million
- **Cigna now insuring vitiligo treatments – 20M insured persons in the U.S.**
- **Peer reviewed economic study published in *Journal of Drugs and Dermatology*: XTRAC most effective, safest and most economical treatment for psoriasis**

* Gross domestic billings: Unaudited and preliminary – see quarterly press releases for reconciliation of non-GAAP measurements

STRATA Key Investment Takeaways





Thank You



Appendix

Footnotes

1. **Company estimates**
2. **Historical phototherapy utilization.** Trend in phototherapy utilization among *Medicare* beneficiaries by billing code across all providers, 2000 to 2015. *HCPSC, Healthcare Common Procedure Coding System; PUVA, psoralen plus ultraviolet A; UVB, ultraviolet B.*
3. **National Eczema Association**
4. **The Vitiligo Foundation**
5. **National Psoriasis Foundation**
6. **"Therapies for Psoriasis: Clinical and Economic Comparisons"** in the November 2020 issue of the *Journal of Drugs in Dermatology*
7. **Multicenter Psoriasis Study** - Feldman SR, Mellen BG, Housman TS, Fitzpatrick RE, Geronemus RG, Friedman PM, Vasily DB, Morison WL. *Efficacy of the 308-nm excimer laser for treatment of psoriasis: Results of a multicenter study. J Am Acad of Dermatol; vol. 46, no. 6, June 2002, pp. 900-906*
8. **Vitiligo Study** - Suhail Hadi, Patricia Tinio, Khalid Al-Ghaithi, Haitham Al-Qari, Mohammad Al-Helalat, Mark Lebwohl, and James Spencer. *Photomedicine and Laser Surgery. Treatment of Vitiligo Using the 308-nm Excimer Laser. Jun 2006.ahead of print*<http://doi.org/10.1089/pho.2006.24.354>
9. **Scalp Study** - Morison WL, Atkinson DF and Werthman L. *Effective treatment of scalp psoriasis using the excimer (308nm) laser. Photodermatol Photoimmunol Photomed 2006; 22: 181-183*
10. **Pediatric Study** - Pahlajani N, Katz BJ, Lonzano AM, Murphy F and Gottlieb A. *Comparison of the Efficacy and Safety of the 308nm Excimer laser for the Treatment of Localized Psoriasis in Adults and in Children: A Pilot Study. Pediatric Dermatology Vol. 22 No. 2, March/April 2005, pp. 161-165*